



PARROT®

Revenues up 106.4% in 2006 with strong operating margin at 14.2%

2007 objectives revised upwards

Paris, February 14th, 2007 – 8:30 am

- **Pro forma revenues for 2006:** 166.9 million euros, up +106.4% on 2005. In Q4 2006, revenues came to 50.5 million euros.
- **Pro forma gross margin for 2006:** 45% (vs. 41%-44% forecast). The gross margin excluding navigation products sold in Spain comes to 51.5%.
- **Pro forma operating margin⁽¹⁾ for 2006:** 14.2% (vs. 11.5% forecast).
- **Pro forma net income for 2006:** 7.7 million euros.
- **Q4 2006** was marked by:
 - Highly positive results from the first co-marketing operation dedicated to installed handsfree kits with Feu Vert in France: referencing doubled and sales volumes were multiplied by five;
 - Acquisition of Inpro Tecnología's minority interests together with the strengthening of the management structure;
 - Increase of the OEM segment and the signature of a new contract with Renault.
- **Key strategy elements for 2007**
 - Installed handsfree kit range: new products in association with major sales and marketing investments;
 - Strengthening of the OEM segment, with contracts sealed in 2006 to be ramped up and new contracts to be signed during 2007;
 - Home range to be established, with the deployment of dedicated music and photo segments.
- **Objectives for 2007 revised upwards:**
 - Annual revenue growth: > 55%
 - Annual operating margin⁽²⁾: > 13%

Pro forma, excluding net EPS (€'000,000)	2005 IFRS	2006 IFRS	Change (%)
Revenues	80.9	166.9	106%
Gross operating margin	36.0	75.1	108%
% of revenues	44.5%	45.0%	
EBIT⁽¹⁾	12.1	23.7	95%
% of revenues	15.0%	14.2%	
Non-recurring expenses	0	-6.5	
Net income (Group share)	7.7	7.7	
% of revenues	9.6%	4.6%	
Net earnings⁽¹⁾ per share	€0.89	€1.32	
Diluted net earnings ⁽¹⁾ per share	€0.78	€1.13	
Net earnings per share	€0.89	€0.72	
Diluted net earnings per share	€0.78	€0.61	
Pro forma (€'000,000)	Dec 31, 05	Dec 31, 06	
Net debt	18.0	-31.8	

(1) Excluding non-recurring stock option allocation expenses linked to the capital restructuring program

(2) Income from ordinary operations as % of revenues

"The fourth quarter confirmed the strong level of growth achieved in volumes on both our OEM business and on installed handsfree kit activities. Over 2006, close to 3 million products were sold in total. This excellent performance has been accompanied by a higher-than-expected level of margins.

2007 is set to be just as promising, with the launch of 10 products supported by major marketing campaigns. All the development indicators are green. 2007 will confirm the strength of our business model, combining strong sales growth with high margins.", explains Henri Seydoux, Parrot's Chairman and CEO.

4th quarter: very good performance across all ranges

Over the fourth quarter of 2006, Parrot generated 50.5 million euros in revenues, up 71% compared to Q4 2005, with this period marked by strong growth on the OEM market, with the increase existing contracts. The installed handsfree kit range also recorded a very good level of business. On the Home range, the Parrot SOUND SYSTEM™ and Parrot PHOTO VIEWER™ were well received, with sales volumes in line with the Group's expectations.

This quarter has also seen the first mass market communications operations, with taxi poster campaigns in London and Paris, as well as radio commercials supporting the first co-marketing operation dedicated to installed handsfree kits with the French group Feu Vert in December 2006. Their positive impacts on sales will continue into 2007.

At the same time, Parrot finalized the acquisition of Inpro Tecnología, subject to approval by the Board of Directors, with a partial share-based payment (25% of the total) subject to a decreasing lockup for a three-year period. The deal structure allows to limit the cash out compared to the initial structure and to build loyalty over a longer period with the founders through the share-based payment. This operation allows stepping up the pace in replicating the model on which Inpro's success has been built, namely an effective push & pull marketing strategy. In this way, the two founders have been appointed head of marketing for the Group and head of Parrot Iberia, the new company grouping together Inpro Tecnología and the new Portugal office.

2006 EBIT ⁽¹⁾

Over 2006, pro forma EBIT⁽¹⁾ came to 23.7 million euros, representing an operating margin⁽¹⁾ of 14.2%.

Without factoring in the Spain distribution contract on navigation products, the gross margin for all Parrot products comes out at 51.5% for 2006.

R&D costs represented 8% of revenues in 2006, compared with 7.4% in 2005. This is linked to efforts to strengthen the R&D teams, with staffing levels up 45% over the period, representing 30% of the total workforce at the end of December 2006.

Sales and marketing costs totaled 26.5 million euros (representing 15.9% of revenues, compared with 14.4% in 2005).

After factoring in non-recurring stock option allocation expenses linked to the capital restructuring program (6.5 million euros), total EBIT comes out at 17.2 million euros for 2006.

Net income in 2006

In 2006, net income (Group share) came to 7.7 million euros, including a -1.1 M€ million euros financial expense linked primarily to exchange rate.

Financial structure

The Group is in a healthy financial position, with -31.8 million euros in net debt as of December 31st, 2006. Excluding the capital increase from the IPO in June 2006, Parrot generated 6.7 million euros in cash, net of repayments for the credit line taken out for the acquisition of a majority interest in Inpro, which is now Parrot Iberia.

Key strategy elements for 2007

Over 2007, the Group is planning:

➤ Major R&D and marketing investments on the vehicle handsfree kit range

On its core business, Parrot plans to consolidate its position as the market leader. The Group plans to launch three installed handsfree kits in 2007 incorporating new features, comparable to the Parrot MK6000™ released at the end of 2006. They will include the latest signal processing breakthrough – beamforming – as well as audio streaming functionality, making it possible to listen to music stored on your cell phone. R&D efforts will also be continued, with a sustained recruitment drive.

Driven by its very good distribution network and the recognition of the quality of its products, Parrot is significantly strengthening its marketing resources. For instance, the Group is planning three to four co-marketing operations with a number of leading brand stores in each country over the year, while strengthening its visual presence at sales outlets and training up sellers at each point of sale.

In 2007, the handsfree kit segment is expected to continue developing in a strong-growing market.

➤ Strengthening of the OEM segment

On its OEM business, Parrot expects to see sustained growth, driven by moves to ramp up existing contracts (strengthening of current contracts with higher order volumes and/or extended ranges) and the signature of several major contracts in 2006, which are expected to generate revenues over 2007.

➤ Home range to be established, with the deployment of dedicated music and photo segments

At the start of 2007, Parrot announced the launch of two products from the Home range: an all-new 7" Parrot PHOTO VIEWER™ photo frame (screen size adapted for the 10 x15 photo format, capacity to store 500 photos and as always an easy navigation) and the Parrot BOOMBOX™ (Bluetooth speakers in only one block with a very sleek design). This range will be further strengthened with four new products (photo and music) over the year. These launches are expected to accompany growth in these markets, with the penetration of Bluetooth cell phones equipped with megapixel cameras and MP3 players, such as Apple's iPhone, picking up pace.

Objectives for 2007 revised upwards

Revenue growth is expected to come in at over 55% in 2007, with an operating margin⁽²⁾ of over 13%; this includes a slightly higher gross margin counterbalanced by an increase in sales and marketing costs.

Parrot will publish its results for Q1 2007 (ending March 31st) on May 15th, 2007 after the stock market closure.

ABOUT PARROT

Founded in 1994, Parrot has rapidly established itself as a pivotal global player for wireless mobile telephone accessories. Drawing on its tried-and-tested expertise on voice recognition and signal processing technologies, Parrot was one of the very first companies to produce Bluetooth®-based wireless hands free car kits, having identified this standard's vast potential as early as 1999. In 2006, Parrot sold about 3 million units.

Determined to accompany the wireless peripherals' irresistible breakthrough into our day-to-day lives, Parrot has been developing since 2006 a new wireless range of sound and image products.

Today, Parrot truly has a major international focus: 90,5% of its sales are generated outside of France, and a large percentage of its production is outsourced to carefully selected partners, enabling it to achieve the best possible level of quality and responsiveness. Parrot is now particularly well positioned to capitalize on the bright future opening up for mobile telephone devices.

Parrot has achieved strong growth in its consolidated revenues, up from 80.9 million euros pro forma in 2005 to 166.9 million euros in 2006.

www.parrotcorp.com

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APPENDICES

Breakdown of revenues by region

% of pro forma revenues	Q4 2006	2006
France	10.2%	9.5%
UK	7.3%	6.3%
Netherlands and Belgium	5.3%	5.1%
Germany	4.5%	4.9%
Spain*	48.7%	49.3%
Italy	3.7%	3.8%
US	4.6%	3.9%
Rest of Europe	6.8%	5.8%
Rest of world	8.9%	11.4%

* Including business linked to the acquisition of Inpro Tecnología

Breakdown of revenues by segment

% of pro forma revenues	Q4 2006	2006
OEM	6.7%	6.8%
Installed kits	71.4%	72.9%
Plug & play	3.6%	2.5%
Other	18.3%	17.8%

Breakdown of gross margin by segment

% of pro forma revenues	Q4 2006	2006
OEM	50.3%	55.6%
Installed kits	58.0%	53.7%
Plug & play	44.3%	43.9%
Other	2.3%	5.4%

Pro forma income statement at December 31st, 2006

€'000	2005	Q4 2006	2006
Revenues	80,865	50,487	166,912
Cost of sales	-44,848	-26,860	-91,830
GROSS MARGIN	36,017	23,627	75,082
Gross margin as % of revenues	44.5%	46.8%	45.0%
Research and development costs	-6,883	-3,651	-13,272
% of revenues	-8.5%	-7.2%	-8.0%
Sales and marketing costs	-11,678	9,622	-26,507
% of revenues	-14.4%	-19.1%	-15.9%
General costs	-2,310	2,107	-6,271
% of revenues	-2.9%	-4.2%	-3.8%
Production and quality	-3,010	1,356	-5,338
% of revenues	-3.7%	2.7%	-3.2%
INCOME FROM ORDINARY OPERATIONS	12,137	6,891	23,694
Income from ordinary operations as % of revenues	15.0%	13.6%	14.2%
Other operating expenses	0	0	-6,482
Other operating income	0	0	0
EBIT	12,137	6,891	17,213
EBIT as % of revenues	15.0%	13.6%	10.3%
Cost of net financial debt	-250	-105	-340
Other interest expenses and income	-647	-572	-727
Corporate income tax	-3,502	-3,533	-8,432
EARNINGS FOR THE PERIOD (GROUP SHARE)	7,738	2,873	7,713
Earnings for the period (Group share) as % of revenues	9.6%	5.7%	4.6%

Cash-flow statement at December 31st, 2006

€'000	Dec 31, 06
Operating cash flow	
Earnings for the period	7,036
Depreciation and amortization	5,053
Capital gains and losses on disposals	12
Tax charges	8,067
Cost of share-based payments	7,585
Cost of net financial debt	259
Cash flow from operations before tax and cost of net financial debt	28,012
Change in working capital	-9,490
CASH FLOW FROM OPERATING ACTIVITIES	18,522
Tax paid	-1,502
NET CASH FROM OPERATING ACTIVITIES (A)	17,019
Investing cash flow	
Interest received	
Acquisition of tangible and intangible fixed assets	-5,794
Acquisition of subsidiaries, net of cash acquired (1)	-21,534
Acquisition of long-term financial investments	
Increase in other current financial assets	
Disposal of tangible and intangible fixed assets	17
Disposal of subsidiaries, net of cash divested	
Disposal of long-term financial investments	2042
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	-25,269
Financing cash flow	
Equity contributions	39,928
Dividends paid	0
Receipts linked to new loans (2)	6,000
Other financing (2)	17,012
Cost of net financial debt	-259
Repayment of short-term financial debt (net)	-7,664
Acquisition of treasury stock	-109
Interest paid	0
CASH FLOW FROM FINANCING ACTIVITIES (C)	54,908
NET CHANGE IN CASH POSITION (D = A+B+C)	46,658
Net exchange rate differences	-12
CASH AND CASH EQUIVALENTS AT YEAR-START	2,027
CASH AND CASH EQUIVALENTS AT YEAR-END	48,674
Cash and cash equivalents at year-end	48,674
Other current financial assets	0
Cash, cash equivalents and other current financial assets at year-end	48,674

Consolidated balance sheet at December 31st

Assets €'000	Dec 31, 06	Dec 31, 05
Non-current assets	25,793	5,551
Goodwill	18,546	
Other intangible fixed assets	3,704	3,483
Tangible fixed assets	3,328	1,932
Financial assets	206	123
Deferred tax assets	9	12
Current assets	104,767	39,153
Inventories	15,627	11,557
Trade receivables	37,072	17,169
Other receivables	3,368	6,340
Other current financial assets		2,042
Cash and cash equivalents	48,700	2,045
TOTAL ASSETS	130,560	44,703

Shareholders' equity and liabilities €'000	Dec 31, 06	Dec 31, 05
Shareholders' equity		
Share capital	1,920	1,349
Issue and contribution premiums	53,612	14,304
Reserves and retained earnings	14,720	1,643
Earnings for the period	7,036	5,308
Equity attributable to Parrot SA shareholders	77,289	22,605
Minority interests	--	--
Non-current liabilities	3,404	1,196
Long-term financial debt	2,000	-
Pension provisions and related commitments	262	137
Deferred tax liabilities	1,001	790
Other non-current provisions	142	268
Other non-current debt	--	--
Current liabilities	49,867	20,902
Short-term financial debt	14,885	17
Derivatives	295	-
Current provisions	1,177	129
Trade payables	20,094	15,351
Current tax liability	5,616	1,203
Other current liabilities	7,801	4,201
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	130,560	44,703

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